

NOMINATION AND REMUNERATION POLICY



ShineFashions(India) Ltd.

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NOMINATION AND REMUNERATION POLICY

1. INTRODUCTION

A transparent, fair and reasonable process for determining the appropriate remuneration at all levels of the Company is required to ensure that shareholders remain informed and confident in the management of the Company. To harmonize the aspirations of human resources consistent with the goals of the Company and in terms of the provisions of the Companies Act, 2013, this policy on nomination and remuneration of directors on the Board of Directors, the Key Managerial Personnel and Senior Management has been formulated by the Committee and approved by the Board of Directors. This Policy shall act as a guideline for determining, inter-alia, qualifications, positive attributes and independence of a director, matters relating to the remuneration, appointment, removal and evaluation of performance of the Directors (including non executive directors), Key Managerial Personnel and Senior Management Personnel.

2. OBJECTIVE OF THE POLICY

The objective of this Policy is to outline a framework to ensure that the Company's remuneration levels are aligned with industry practices and are sufficient to attract and retain competent directors on the Board, KMPs and the Senior Management Personnel of the quality required, while allowing fair rewards for the achievement of key deliverables and enhanced performance.

When determining the remuneration and arrangements for the Directors (including non executive directors), KMPs and the Senior Management Personnel, the Nomination and Remuneration Committee of the Board should consider pay, market, business performance and practices in comparable companies, and have due regard to financial and commercial health of the Company as well as prevailing laws and government/other guidelines, to ensure that pay structures are appropriately aligned and that levels of remuneration remain appropriate.

The Committee while designing the remuneration package should ensure that:

- (i) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate the person to ensure the quality required to run the Company successfully;
- (ii) there is a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals.

The Committee must ensure that some part of the remuneration package is linked to the achievement of corporate performance targets of the Company and a strong alignment of interest with stakeholders.

The Committee may consult with the chairman of the Board as it deems appropriate.

The Committee shall observe the set of principles and objectives as envisaged under section 178 of the Companies Act, 2013 ("Act"), rules framed there under and provisions of the Listing Agreement including, *inter-alia*, principles pertaining to determining qualifications, positive attributes, integrity and independence.

3. EFFECTIVE DATE

This policy shall be effective from the date of its adoption by the Board.

4. DEFINITIONS

In this Policy unless the context otherwise requires:

- (a) **'Board of Directors'** or **'Board'**, in relation to the Company, means the collective body of the directors of the Company.
- (b) **'Committee'** means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board.
- (c) **'Company'** means **"Shine Fashions (India) Limited"**.
- (d) **'Independent Director'** means a director referred to in Section 149 (6) of the Companies Act, 2013 read with provisions of the Listing Agreement.
- (e) **'Key Managerial Personnel' (KMP)** means:
 - Chief Executive Officer and / or Managing Director or the Manager
 - Whole-time Director
 - Chief Financial Officer
 - Company Secretary
 - Such other officer as may be prescribed
- (f) **'Non-Executive Directors'** includes **Independent Directors**.
- (g) **'Policy'** means Nomination and Remuneration policy.
- (h) **'Senior Management Personnel'** for this purpose shall mean personnel of the Company who are members of its core management team excluding Board of Directors. It would comprise all members of management one level below the executive director(s), including the functional heads.

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013 and/ Listing Agreement as may be amended from time to time shall have the meaning respectively assigned to them therein.

5. APPLICABILITY

This Policy is applicable to:

- (a) Directors (Executive and Non- Executive)
- (b) Key Managerial Personnel
- (c) Senior Management Personnel

6. MEMBERSHIP

- (a) The Committee shall consist of minimum three or more non-executive directors out of which not less than two-third shall be independent directors.
- (b) Membership of the Committee shall be disclosed in the Annual Report.
- (c) Term of the Committee shall be continued unless terminated by the Board of Directors.

7. CHAIRMAN

- (a) Chairman of the Committee shall be an Independent Director.
- (b) Chairperson of the Company (whether executive or non executive) may be appointed as a member of the Committee but shall not be a Chairman of the Committee.
- (c) Chairman of the Nomination and Remuneration Committee or in his absence, any other member of the committee authorised by him in this behalf shall attend the general meetings of the company.

8. FREQUENCY OF MEETINGS

The meeting of the Committee shall be held at such intervals as may be required.

9. COMMITTEE MEMBERS' INTERESTS

- (a) A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.
- (b) The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

10. SECRETARY

The Company Secretary of the Company shall act as Secretary of the Committee.

11. QUORUM

The quorum necessary for transacting business at a meeting of the Committee shall be at least three Non- Executive Directors members or one-third of the members of the Nomination and Remuneration Committee; whichever is greater, including at least one independent director in attendance.

12. VOTING

Matters arising for determination at Committee meetings shall be decided by a majority of votes of members present and voting and any such decision shall for all purposes be deemed a decision of the Committee.

In the case of equality of votes, the Chairman of the meeting will have a casting vote.

13. RESPONSIBILITY OF THE COMMITTEE

The Committee is responsible for:

- formulating criteria for determining qualifications, positive attributes and independence of a Director for the purpose of this Policy;
- advising the Board on issues concerning principles for remuneration, remunerations and other terms of employment for the Directors (including non executive directors), KMPs and the Senior Management;
- monitoring and evaluating programs for variable remuneration, both on-going and those that have ended during the year, for the Directors (including non executive directors), KMPs and the Senior Management;
- identifying persons who are qualified to become director and who may be appointed in Senior Management. The committee will recommend to the Board their appointment and removal;
- carrying out evaluation of every director's performance;
- monitoring and evaluating the application of this Policy;
- monitoring and evaluating current remuneration structures and levels in the Company; and
- any other responsibility as determined by the Board

14. APPOINTMENT OF DIRECTOR, KMP OR SENIOR MANAGEMENT PERSONNEL

The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP and Senior Management Personnel.

A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.

Appointment of Directors and KMP's are subject to compliance of provisions of the Companies Act, 2013 and of the Listing Agreement.

The tenure for the directors shall be governed by the terms defined in the Companies Act, 2013.

The appointment as recommended by the Nomination and Remuneration Committee further requires the approval of the Board.

15. REMUNERATION

A. Remuneration of Non-Executive Directors

The non-executive directors (including independent directors) on the Board will receive a remuneration package consisting of the following components as may be decided by the board:

- (a) **Sitting Fees:** Non-executive directors will receive fixed sitting fees, which is decided by the Board in accordance with the Act.

In addition to the sitting fees, the non-executive directors, who are also members of the Board Committees, may receive sitting fees for participation in such Board committee meetings. The

sitting fees for participation in such Board committee meetings as may be approved by the Board in accordance with the Act.

- (b) **Profit related commission:** The non-executive directors may also receive profit related commission as may be decided by Board but not exceeding 1% (one per cent) of the net profits of the Company. Such profit related commission is approved by the resolution of the shareholders in a general meeting of the Company, and if required under the Act, the Company will also obtain Central Government approval.
- (c) **Reimbursement of expenses:** Expenses in connection with Board and committee meetings are reimbursed as per account rendered.

Stock Options:

The directors (except the independent directors) may be included in the share options programmes/ plans, whenever such programmes/ plans are formulated by the Company.

B. Remuneration of KMP and Senior Management

(a) Remuneration of KMP

The KMP's are employed under management service contracts, employment agreement or through appointment letter, and the Board sets the terms of such management service contracts, employment agreement or appointment letter.

The Committee submits proposals concerning the remuneration of the KMP's and ensures that the remuneration is in line with the conditions in comparable companies. The proposals are submitted for approval in a Board Meeting, and where the proposal is in relation to appointment of Managing Director/ Whole Time Director, such proposal is also submitted for approval of the shareholders (by ordinary resolution, or in case of inadequacy of profits, by special resolution) in a general meeting of the Company, and if required, the Company also obtains Central Government approval. The remuneration package of the KMPs is reviewed annually by the Committee in the course of the performance appraisal on the basis of benchmarks followed by the Company.

(b) Remuneration of Senior Management

The employees at Senior Management are employed under management service contracts, employment agreement or through appointment letter, and the Nomination and Remuneration Committee sets the terms of such management service contracts, employment agreement or appointment letter and ensures that the remuneration is in line with the conditions in comparable companies. The remuneration package of the Senior Management is reviewed annually by the Committee in the course of the performance appraisal on the basis of benchmark followed by the Company.

The KMP's and Senior Management receive a competitive remuneration package consisting of the following components:

- **Fixed salary:** The fixed salary shall be competitive and reflective of the individual's role, responsibility and experience in relation to performance of day-to-day activities. The fixed salary shall include basic salary, special pay, and personal pay.
- **House rent allowance:** The KMP's and Senior Management shall be entitled to receive house rent allowance.
- **Variable components:** The Committee may, in its discretion, structure any portion of remuneration to link rewards to corporate and individual performance, fulfilment of specified improvement targets or the attainment of certain financial or other objectives set by the Board. The amount payable as a variable component is determined by the Committee, based on performance against pre-determined financial and non-financial metrics and shall always be within the limits of the overall guidelines for incentive pay.
 - Performance linked variable pay: The KMP's and Senior Management Personnel participate in a performance linked variable pay scheme based on the results for the year, pursuant to which the KMP's and Senior Management are entitled to performance-based variable remuneration.
 - Share options: The Company may formulate share option programmes / plans for the KMP's and Senior Management. The focus of such share option programmes /plan will be to retain and create long-term shareholder value, and to ensure valuecreation and fulfillment of the Company's long-term goals.
- **Personal benefits:** The KMP's and Senior Management have access to a number of work-related benefits, including car, telephones, broadband at home, and work-related newspapers and magazines. The extent of individual benefits is negotiated with each individual executive.
- **Other annual emoluments:** The KMP's and Senior Management may receive the following annual emoluments:
 - medical reimbursement in accordance with the Company's policies;
 - leave travel assistance in accordance with the Company's policies and
 - leave encashment in accordance with the Company's policies.
- **Gratuity contributions:** Contributions are made in accordance with applicable laws, employment agreements and policies of the Company.

Retirement: The Directors, KMP and Senior Management Personnel shall retire as per applicable provisions of Companies Act, 2013 and prevailing policies of the company. The Managing Director will have the discretion to retain the director, KMP and Senior Management Personnel in the same position/remuneration or otherwise even after attaining the retirement age, for the benefit of the company.

Severance pay: In the usual course, there are no severance pay (routine notice period not considered as severance pay) or other severance benefits.

16. REMOVAL

Due to reasons for any disqualification mentioned in the Companies Act, 2013, rules made there under or under any other applicable Act, rules and regulations, the Committee may recommend, to the Board with reasons recorded in writing, removal of a director and KMPs subject to the provisions and compliance of the said Act, rules and regulations.

17. DISCLOSURE OF INFORMATION

The Web Link of the Policy shall be disclosed in the Board's report.

18. DEVIATION FROM THE POLICY

The Board may, in individual or collective case, deviate from this Policy, if there are, in its absolute discretion, particular reasons to do so. In the event of any departure from the Policy, the Board shall record the reasons for such departure in the Board's minutes.

19. AMENDMENTS TO THE POLICY

The Board of Directors on its own and / or as per the recommendations of Nomination and Remuneration Committee can amend this Policy, as and when deemed fit.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.